

Message Text

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ORIGIN EB-07

INFO OCT-01 ISO-00 /008 R

66616

DRAFTED BY EB:NLPAZDRAL

APPROVED BY EB/NLPAZDRAL

DIST: EB, ISO (ONLY)

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R 030106Z JUL 75

FM SECSTATE WASHDC

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PARIS FOR ENDERS AND JULIUS KATZ

FOLLOWING REPEAT PEKING 1221 ACTION SECSTATE INFO HONG KONG

TOKYO DATED 2 JUL 5

QUOTE

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E.O.11652: GDS

TAGS: ENRG, CH

SUBJECT: CHINA'S TAKANG OIL FIELD

REF: PEKING 1299; PEKING 1397

1. SUMMARY. ACCORDING TO BRIEFINGS GIVEN RECENT FOREIGN VISITORS, PRODUCTION OF CRUDE OIL AT CHINA'S TAKANG OIL FIELD INCREASED BY 20 PERCENT LAST YEAR OVER 1973. AT PRESENT ALL OIL AND NATURAL GAS FROM THE FIELD IS CONSUMED DOMESTICALLY WITH MOST OF IT GOING BY PIPELINE TO TIENTSIN FOR DISTRIBUTION BY RAIL. THE FIELD HAS A 20 THOUSAND B/D CAPACITY REFINERY PRODUCING GASOLINE AND DIESEL FUEL AND A SYNTHETIC FIBER AND A CHEMICAL PLANT ARE PLANNED FOR THE FUTURE. A TOTAL OF 20,000 WORKERS ARE EMPLOYED IN PETROLEUM, AGRICULTURE AND OTHER TYPES OF

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PRODUCTION. END SUMMARY.

2. ON SEPARATE OCCASIONS IN JUNE 1975, TWO FOREIGN DELEGATIONS, ONE LED BY NEW ZEALAND FOREIGN TRADE MINISTER FREER AND ANOTHER MADE UP OF OFFICIALS FROM PEKING'S BRAZILIAN EMBASSY, VISITED CHINA'S TAKANG OIL FIELD. BOTH GROUPS WERE SHOWN ONLY ONE SECTION OF THE FIELD, THE TANG CHAI RIVER FIELD, BUT RECEIVED BRIEFINGS ON TAKANG'S TOTAL OPERATIONS. THE FOLLOWING IS A COMPOSITE OF REPORTS PROVIDED USLO BY COMMERCIAL OFFICERS FROM THESE EMBASSIES.

3. BACKGROUND INFORMATION. FORMERLY AN UNINHABITED AREA OF SALF FLATS, TAKANG LIES ABOUT 30 MILES SOUTH-EAST OF TIETSIN ON THE COAST OF THE PO HAI GULF. DURING THE FIRST YEAR OF EXPLORATION, OIL WAS DISCOVERED IN 1964 AND COMMERCIAL PRODUCTION BEGAN IN 1967. NO FIGURE FOR TOTAL AREA WAS GIVEN, BUT THE NEW ZEALANDERS ESTIMATED THAT THE ON-SHORE FIELD NOW COVERS ABOUT 100 SQUARE MILES INCLUDING A LARGE AREA OF RECLAIMED LAND. THE CHINESE SAID THE LIMITS OF THE FIELD HAD NOT YET BEEN FOUND AND RECLAMATION WAS CONTINUING TO ALLOW FURTHER EXPLORATION IN SHALLOW GULF AREAS. THE VISITORS WERE TOLD EXPLORATION WAS ALSO BEING DONE OFF-SHORE USING CHINESE-BUILT RIGS BUT WERE SHOWN ONLY ON-SHORE OPERATIONS. (AN AUSTRALIAN PETROLEUM DELEGATION VISITED A CHINESE-MADE OFF-SHORE RIG AT TAKANG IN 1974. PEKING 1397, 1299).

4. PRODUCTION. ALTHOUGH NO FIGURE WAS GIVEN FOR TAKANG'S TOTAL CRUDE OIL PRODUCTION, IT WAS SAID TO HAVE INCREASED 20 PERCENT LAST YEAR OVER 1973. LAST YEAR'S PRODUCTION FOR THE TANG CHAI RIVER SECTION WAS GIVEN AS 700,000 TONS OF CRUDE AND 100,000 TONS (SIC) OF NATURAL GAS. THE NEW ZEALANDERS VISITED A DRILLING TEAM WHICH HAD REACHED 3,200 METERS. THEY WERE TOLD OIL WAS NOT LOCATED AT A CONSTANT DEPTH BELOW THE SURFACE AND VARIED IN QUALITY THROUGHOUT THE FIELD. THE CHINESE CLAIMED THE OIL WAS BROUGHT TO THE SURFACE BY ITS OWN PRESSURE, BUT THE NEW ZEALANDERS NOTED MANY PUMPS LOCATED AROUND THE FIELD.

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5. DISTRIBUTION. AT PRESENT ALL OF THE OIL AND NATURAL GAS PRODUCED AT TAKANG IS CONSUMED WITHIN CHINA. THE FIELD HAS A SMALL 20,000 B/D CAPACITY REFINERY WHICH PRODUCES GASOLINE AND DIESEL FUEL TO MEET LOCAL REQUIREMENTS. HOWEVER, MOST OF THE CRUDE AND PROBABLY SOME REFINED PRODUCTS ARE PIPED TO TIENTSIN FOR INTERNAL DISTRIBUTION BY RAIL. THE VISITORS WERE TOLD THE FIELD WAS NOT

CONNECTED BY PIPELINE TO PORTS AT HSINKANG OR CH'INHUANGTAO, AND NEITHER GROUP SAW ANYTHING TO INDICATE THE CHINESE WERE PREPARING TO EXPORT OIL FROM TAKANG. (ON A SEPARATE VISIT, BALTIMORE SUN CORRESPONDENT EDDIE WU WAS TOLD TAKANG OIL WOULD BE SUPPLIED VIA PIPELINE TO A PETRO-CHEMICAL COMPLEX LOCATED NEAR PEKING.

6. FROM THEIR OBSERVATIONS BOTH DELEGATIONS CONCLUDED THAT LITTLE USE IS CURRENTLY BEING MADE OF TAKANG'S NATURAL GAS AND LARGE QUANTITIES APPEARED TO BE SIMPLY FLARED. EVENTUALLY, THE VISITORS WERE TOLD, NATURAL GAS WILL BE USED TO POWER SOME RECENTLY ARRIVED ITALIAN ELECTRICAL GENERATING EQUIPMENT AND AS A FEED STOCK FOR A SYNTHETIC FIBER AND A "CHEMICAL" PLANT. THE CHINESE SAID SOME GAS IS PRESENTLY USED LOCALLY FOR COOKING AND HEATING AND AN UNSPECIFIED AMOUNT IS PIPED TO TIENTSIN FOR INDUSTRIAL USE.

7. WORKFORCE. TAKANG HAS A TOTAL LABOR FORCE OF 22,000 INCLUDING WORKERS ASSIGNED TO AGRICULTURE AND OTHER TYPES OF SIDELINE PRODUCTION. THERE ARE 12 SCHOOLS FOR WORKERS' CHILDREN AND A 300-BED HOSPITAL. THE BRAZILIANS WERE SHOWN THREE FACTORIES WHICH PRODUCE LIGHT BULBS, CEMENT AND ACETYLENE USING MATERIALS AVAILABLE LOCALLY.

8. BOTH DELEGATIONS SAID WORKERS' LIVING CONDITIONS WERE EXTREMELY PRIMITIVE AND THE NEW ZEALANDERS OBSERVED PEOPLE LIVING IN CRUDE CAVES CARVED OUT OF THE EMBANKMENT ALONG THE ROAD WAY. BRIEFINGS GIVEN THE NEW ZEALANDERS WERE HEAVILY POLITICAL IN CONTENT AND INCLUDED THE STATEMENT THAT "THE WORKERS DID NOT CARE HOW THEY LIVED, BUT WERE ONLY INTERESTED IN PRODUCING LIMITED OFFICIAL USE

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MORE OIL FOR THE STATE". ON THE OTHER HAND, THE BRAZILIANS WERE TOLD THAT WORKERS RECEIVED PAID VACATIONS AT CHINA'S MOST FASHIONABLE BEACH RESORT, PEITAIHO.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, DATA, ECONOMIC DEVELOPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE156840
Document Source: CORE
Document Unique ID: 00
Drafter: NLP AZDRAL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750230-0408
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750787/aaaaczsr.tel
Line Count: 160
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 PEKING 1299, 75 PEKING 1397
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by ShawDG>; APPROVED <15 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHINA'S TAKANG OIL FIELD
TAGS: ENRG, CH
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006